**Strategic Equity Capital plc (â€˜SECâ€™)**
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**Annual Report and Financial Statements for the year ended 30 June 2024**
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The Board of Strategic Equity Capital plc, the specialist alternative equity investment trust investing in high-quality, dynamic, UK smaller companies, is pleased to announce the Companyâ€™s Annual Results for the year ended 30 June 2024.
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**Highlights for the year ended 30 June 2024 include:**

- Net Asset Value (NAV) per ordinary share up +15.9% to 396.87p (30 June 2023: 342.47p)
- NAV Total Return increase +16.6% (30 June 2023: +9.2%)
- Share Price Total Return growth of +19.2% (30 June 2023:Â  +11.2%)
- Highly focused portfolio with 16 holdings and top 10 accounting for c.84% of NAV and c. 5% of NAV held in cash at period end

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**Encouraging progress has been made to continue addressing the share price discount to NAV and implementation of the marketing strategy to broaden the shareholder base:**

- Average discount to NAV of the Companyâ€™s shares during the period was steady at 7.6% vs 7.4% for the year to 30 June 2023.
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- Ongoing measures include the following:
    - A share buy-back policy aimed at returning up to 50% of proceeds from profitable realisations, conducted at a discount of more than 5% on a continuing basis in each financial year. For the year ending 30 June 2024, 1,839,261 shares were repurchased and held in Treasury at a cost of Â£5.8 million.
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    - A standing commitment from the investment manager to reinvest 50% of its quarterly management fee in Company shares, if the shares trade at an average discount of greater than 5% for the quarter. Gresham House currently holds approximately 10% of the Company.
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    - The deferral of an annual continuation vote in favour of offering shareholders a 100% realisation opportunity in November 2025.
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    - Successful sale by the Companyâ€™s largest shareholder of 10% of the Company, which was placed with various UK wealth managers, increasing the diversification of the shareholder register which should help to improve the liquidity of the Company in addition to reducing the discount over time.

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- Differentiation is being communicated through a range of marketing activities including a retail-focused advertising campaign, an extensive PR campaign, content creation throughout the period, plus regular commentaries and webinars to keep shareholders and prospective investors up to date with portfolio developments and performance.

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**Top performance contributors during the period were:**

- XPS Pensions Group, which saw successive analyst upgrades throughout the period and accounted for 22.9% of the Companyâ€™s NAV at year end;
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- Fintel, a regulatory technology service provider, which completed a number of strategic acquisitions expected to significantly increase the capabilities, scale and IP of the organisation;
- The Property Franchise Group, a lettings-focused franchised estate agency business, which completed two transformational acquisitions in the period augmented by strong organic growth;
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- Wilmington, a professional media provider, which demonstrated strong operating fundamentals and forecast upgrades whilst successfully refocusing the business on a digital first strategy in the governance, risk and compliance market was exited in full during the year; and
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- Tribal Group, a provider of technology products and services to the education, learning and training markets, which amicably settled an ongoing contractual dispute (at a significant discount to the counterpartyâ€™s claimed damages) following strong full-year results, and the announcement (albeit the transaction eventually lapsed post-shareholder vote) of a Recommended Cash Offer in early October at a 42% spot premium.

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**William Barlow, SECâ€™s Chairman, commented:**
â€œAgainst a challenging volatile market backdrop, the Board are pleased to report that the Company achieved a 16.6% increase in net asset value (NAV) per share on a total return basis for the year ending 30 June 2024. This is modestly behind the 18.5% rise in the FTSE Small Cap (ex Investment Trusts) Total Return Index. The underperformance experienced by the Company relative to the index reflects the Managerâ€™s strategy of avoidingÂ more cyclical sectors which outperformed during the period. The Companyâ€™s share price delivered a total return of 19.2%, outperforming its NAV per share growth, which reflects the efforts undertaken by the Company to reduce the Companyâ€™s discount to NAV.
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Over the past three years, the NAV per share has grown by 15.6%, significantly outpacing the FTSE Small CapÂ  (ex Investment Trusts) Total Return Indexâ€™s 0.8% growth.
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Looking forward, our differentiated investment strategy continues to deliver results for our shareholders. Under the leadership of our Fund Manager, Ken Wotton, weâ€™ve built a portfolio designed to deliver attractive long-term real returns. There is strong M&A interest in UK equities, with notable takeover approaches for portfolio companies such as Ten Entertainment Group and Alpha Financial Markets Consulting during the period. Importantly, our top-performing stocks also included those that were not the recipients of takeover

approaches, highlighting our ability to generate shareholder returns through careful stock selection that becomes recognised by the market over time. We remain optimistic about the opportunities ahead for sustained value creation.â€
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**Ken Wotton, Managing Director of Public Equity at Gresham House and SECâ€™s Fund Manager, said:**
â€œThe year to 30 June 2024 brought its fair share of challenges, with volatility driven by shifting macroeconomic conditions both in the UK and abroad. In the UK, inflation fell sharply, and despite a brief recession, the economy began to show tentative signs of growth towards the end of the period. Internationally, concerns over persistent US inflation and rising geopolitical tensions weighed on the markets.
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Despite the uncertain backdrop our portfolio has performed robustly, supported by strong fundamentals and a focus on sectors with long-term growth potential. Many of our holdings outperformed expectations, reaffirming their resilience and our confidence in their ability to deliver consistent returns.
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We believe that our focus on business fundamentals will continue to deliver long-term outperformance. We see many opportunities to back high-quality growth companies at attractive valuations, especially in smaller, nimble businesses with strong management teams that can gain market share and build sustainable value over time.
Looking ahead, we remain optimistic. With attractive valuations and solid growth drivers, our portfolio is well placed to navigate ongoing market challenges and deliver strong returns. We remain focused on building a high-conviction portfolio of less cyclical, high-quality businesses that can thrive regardless of broader economic conditions.â€
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## FINANCIAL SUMMARY
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| Â Â **Â** **Capital Return** | **Â** **As at 30 June 2024** | Â As at 30 June 2023 | Â Â Â % change |
|---|---|---|---|
| Â Net asset value (â€œNAVâ€) per Ordinary share+ | **396.87p** | Â 342.47p | 15.9% |
| Â Ordinary share price | **365.50p** | Â 309.00p | 18.3% |
| Â Comparative index++ | **5,687.19** | Â 4,970.43 | 14.4% |
| Â Discount of Ordinary share price to NAV[1] | **(7.9)%** | Â (9.8)% | Â |
| Â Average discount of Ordinary share price to NAV for the year[1] | **(7.6)%** | Â Â (7.4)% | Â |
| Â Total assets (Â£â€™000) | **191,683** | Â 170,784 | 12.2% |
| Â Equity shareholdersâ€™ funds (Â£â€™000) | **189,965** | Â 170,223 | 11.6% |
| Â Ordinary shares in issue with voting rights | **47,865,450** | Â 49,704,711 | Â |

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| Â Â **Performance** | **Year ended 30 June 2024** | Year ended 30 June 2023 |
|---|---|---|
| Â NAV total return for the year[1] | **16.6%** | Â 9.2% |
| Â Share price total return for the year[1] | **19.2%** | Â 11.2% |
| Â Comparative index++ total return for the year | **18.5%** | Â (0.4)% |
| Â Ongoing charges[1] | **1.20%** | Â 1.22% |
| Â Ongoing charges (including performance fee)[1] | **2.03%** | Â 1.22% |
| Â Revenue return per Ordinary share | **4.15p** | Â 3.53p |
| Â Dividend yield[1] | **0.96%** | Â 0.81% |
| Â Proposed final dividend for the year | **Â 3.50p** | Â 2.50p |

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| Â **Yearâ€™s Highs/Lows** | Â **High** | Â Low |
|---|---|---|
| Â NAV per Ordinary share | Â 396.98p | Â 317.93p |

| Â | Â | Â |
|---|---|---|
| Ordinary share price | 370.00p | 290.00p |

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+Net asset value or NAV, the value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

++ FTSE Small Cap (ex Investment Trusts) Index.

1 Alternative Performance Measures. Please refer to pages 75 and 76 of the 2024 Annual Report.

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The full Annual Report and Financial Statements can be accessed via the Companyâ€™s website at: www.strategicequitycapital.com or by contacting the Company Secretary as below.

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Copies of the announcement, annual reports, quarterly update presentations and other corporate information can be found on the Companyâ€™s website at: www.strategicequitycapital.com

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**For further information, please contact:**

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|---|---|
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**Chairmanâ€™s Statement**

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I am pleased to report that, despite challenging and volatile market conditions, the Companyâ€™s NAV per share (on a total return basis) increased by 16.6% during the 12 months to 30 June 2024. The FTSE Small Cap (ex Investment Trusts) Total Return Index (â€œFTSE Small Cap Indexâ€), against which the Companyâ€™s performance can be compared, rose by 18.5%. Over the same period, the Companyâ€™s share price delivered a total return of 19.2%. The underperformance relative to the reference index was primarily due to the Companyâ€™s decision to avoid investing in cyclical sectors within the index which performed well during the period.

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Nevertheless, the NAV performance for the period was encouraging, with the majority of portfolio investments delivering positive returns. This reflects the Managerâ€™s continued focus on higher quality companies that are positioned in areas of structural growth and/or have self-help levers to drive value creation. The Board remains confident that prioritising companies with resilient business fundamentals and strong balance sheets will enable the Company to continue to outperform over the medium to long term.

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The Companyâ€™s NAV per share (on a total return basis) over the three years to 30 June 2024 was 15.6%, compared to just 0.8% for the FTSE Small Cap Index.

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An overview of the reporting period, performance, and portfolio is discussed in detail in the Investment Managerâ€™s Report below.

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As a direct result of our deliberate and distinctive investment process, the Company provides notable benefits for investors:

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**Performance**

The performance of Strategic Equity Capital (â€œSECâ€) has been strong relative to its peers and, this has been driven by the distinctive nature of the Companyâ€™s returns. This success reflects the skills of our Investment Manager, Ken Wotton, and his team, as well as the advantages of applying a private equity approach to public markets. The portfolio has been carefully constructed with the objective of delivering real returns. There continues to be clear and significant M&A interest in UK equities due to attractive valuations, with several portfolio companies attracting takeover interest during the period. Most notably, the acquisitions of Ten Entertainment Group and Alpha Financial Markets Consulting by private equity bidders were completed and announced during this period. However, it is worth noting that none of the Companyâ€™s top five performance contributors during the period were companies that received takeover bids. This highlights that, while takeover activity can enhance portfolio performance, significant organic shareholder returns can also be achieved through diligent stock selection and a focus on high-quality businesses.

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**Performance Fee**

The Companyâ€™s performance is assessed over rolling three-year periods ending on 30 June each year, with the NAV total return per share compared to the total return performance of the FTSE SmallCap (ex Investment Companies) Index. Given the strong three year performance, a capped performance fee of Â£1,409,000 has been earned by the Investment Manager in the period under review. Specifically, the NAV total return per share, prior to any performance fee accrual, surpassed both the Target NAV per share (which

includes the FTSE SmallCap Index return plus an additional 2.0% per annum) and the high watermark â€“ the highest NAV per Share for which a performance fee has previously been paid. As a result, the Investment Manager is entitled to 10% of the outperformance above the higher of these two benchmarks. Any performance fee is capped at 1.4% per annum of the Companyâ€™s NAV at the end of the relevant financial period. Further details of the performance fee arrangements are detailed on page 33 of the 2024 Annual Report.
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**Risk Management**
For investors looking for high quality small cap UK equity exposure, SEC offers low correlations and a low beta to the broader market. When combined with valuation discipline and a fundamentals based approach to stock selection, this provides a strong margin of safety to underpin the long-term upside potential of the portfolio.
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**Valuation**
SEC currently offers investors an attractive discount at four different levels:

- UK equities stand at a substantial discount to global markets, currently at levels previously seen in the 1990s;
- Within the UK market, smaller capitalisation stocks trade at a notable discount to large caps;
- The SEC portfolio of companies are both lower valued and higher quality than UK small cap indices; and
- Investors are today able to purchase SEC shares at a discount to NAV.

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**Discount and Discount Management**
The average discount to NAV of the Companyâ€™s shares during the period was 7.6%, compared to the equivalent 7.4% figure from the prior year. The discount range was 2.9% to 11.6%.
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Encouraging progress continues to be made to address the persistent share price discount to NAV experienced by the Company. Following on from the measures implemented in 2022 the discount has narrowed, in the current period from 9.8% at the beginning to 7.9% at the end. For comparison, over the same period the average UK Smaller Company Investment Trust discount decreased from 11.5% to 10.2%.
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Some of these measures remain ongoing. These include: a buy back policy to return up to 50 per cent. of proceeds from profitable realisations, at greater than a 5 per cent. discount on an ongoing basis, in each financial year; an ongoing commitment by Gresham House Asset Management to reinvest 50 per cent. of its management fee per quarter in shares if the Companyâ€™s shares trade at an average discount of greater than 5 per cent. for the quarter; and the deferral of an annual continuation resolution in favour of the implementation of a 100 per cent. realisation opportunity for shareholders in November 2025.
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**Marketing**
The Board continues to oversee the implementation of the marketing plan and strategy to broaden the shareholder base by increasing awareness of the Company, and to ensure a clear investment proposition is presented to the market.
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During the year the Board oversaw the sale by the Companyâ€™s largest shareholder of 10% of the Company, which was placed with various UK wealth managers.
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Increased diversification of the shareholder register should help to improve the liquidity of the Company in addition to reducing the discount over time.
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Communicating differentiation through a range of marketing activities has included a retail-focused advertising campaign, an extensive PR campaign and content creation throughout the period. There have also been regular commentaries and webinars to keep shareholders and prospective investors up to date with portfolio developments and performance. The Investment Manager has also spoken at retail investor events to raise the profile of the Company.
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All these activities have provided the opportunity to highlight the Investment Managerâ€™s distinctive and highly disciplined private equity approach to public markets, coupled with constructive, active corporate engagement.
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This messaging is reflected in all communications includingÂ on the Companyâ€™s webpage (www.strategicequitycapital.com).
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The Board values the importance of Marketing and Distribution more broadly, to build the profile and positioning of the Company over time.
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**Gearing and Cash Management**
The Company has maintained its policy of operating without a banking loan facility. This policy is periodically reviewed by the Board in conjunction with the Investment Manager and remains under review.
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**Dividend**
For the year ended 30 June 2024 the basic revenue return per share was 4.15p (2023: 3.53p). Although the Company is predominantly focused on delivering long-term capital growth, due to the strongly cash generative nature of the majority of the portfolio companies and low capital intensity, many pay an attractive dividend. Accordingly, the Board is proposing a final dividend of 3.50p per share for the year ending 30 June 2024 (2023: 2.50p per share), payable on 13Â November 2024 to shareholders on the register as at 11Â October 2024.
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**Realisation Opportunity**
As announced by the Company on 9 February 2022 and reiterated in subsequent publications, shareholders will be provided with a 100% realisation opportunity in 2025 (the â€œ2025 Realisation Opportunityâ€). The structure and timing of the 2025 Realisation Opportunity will be communicated by the Board in due course, having given careful consideration to the various options available to maximise shareholder value.
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**Board Composition**
In addition, the timing of the 2025 Realisation Opportunity will take in to consideration the Boardâ€™s long-term succession planning, so as to allow shareholders to make an informed decision with certainty over the ongoing Board composition. In the first instance Richard Locke, Non-Executive Deputy Chairman, is expected to announce his retirement from the Board during 2025, having been appointed as

a Non-Executive Director in February 2015. Similarly, I expect to announce my retirement from the Board during 2026, having been appointed as a Non Executive Director in February 2016, and subsequently as Non-Executive Chairman in November 2022.
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**Outlook**
The global macroeconomic and geopolitical environment continues to demonstrate volatility. Domestically, the UK economy has delivered a series of encouraging metrics in recent months, with inflation having returned towards the Bank of Englandâ€™s target range, real wage growth returning, and GDP growth recovering from what was feared early in 2024 to be the beginning of a prolonged recession.
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Across the portfolio, the Investment Manager has been encouraged by the positive news flow, with the majority of the portfolio showing solid performance. Valuations remain attractive when compared to historical levels, large-cap UK equities, overseas equities, and recent M&A transaction multiples. The strong performance during the period was primarily driven by organic returns to equity, with additional upside from takeover premia. Furthermore, the Investment Manager is confident in the significant growth potential across the remaining portfolio, believing that the resilient positioning of the Companyâ€™s holdings should enable it to outperform in the medium to long term.
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In addition, the enhanced marketing programme and ongoing share buybacks are expected to support the Companyâ€™s ability to maintain a structurally narrower share price discount to NAV over the coming year, building on the positive momentum since the appointment of the current Investment Manager in 2020.
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With the Labour government now in office, the Investment Manager is mindful of the potential impact of their reforms. While these reforms may present both challenges and opportunities, particularly in sectors such as infrastructure, energy, and public services, the portfolioâ€™s focus on companies with strong fundamentals and exposure to structural growth themes positions it well to navigate these changes. The Investment Manager believes this adaptability will enable the Company to continue delivering value to shareholders in the evolving political and economic landscape.
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The Board, once again, thanks you for your continued support.
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**William Barlow**
Chairman
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25 September 2024
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**Investment Managerâ€™s Report for the year ended 30Â June 2024**
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**1) Overview**
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The period from 1 July 2023 to 30 June 2024 has been characterised by notable volatility and evolving macroeconomic conditions both domestically and internationally.
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In the UK steady progress was made on taming inflation, with the headline CPI falling from 7.9% in June 2023 to 2.0% in June 2024, which culminated in a 25bps Base Rate cut post-period end (returning to the 5% level that marked the start of the period). The first six months of the period saw the UK slip into technical recession, the first time since 2020, but it quickly recovered to deliver promising GDP growth particularly in the final quarter of the period.
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Internationally, newsflow has been dominated by escalating geopolitical tensions, fears over US inflation persistence and implications for yields, and continued weakness in European industrial activity. Alongside this, political volatility has been a recurring theme following a number of major election cycles.
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Despite this volatility, our portfolio has continued to demonstrate considerable resilience, anchored by strong fundamental characteristics that we seek in our bottom-up investment approach. Many of our holdings are strategically positioned within structural growth trends or have significant self-help opportunities, enabling them to perform robustly despite broader economic uncertainties. We have deliberately avoided sectors more sensitive to economic cycles and exogenous variables, such as banks, oil & gas, and mining companies.
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News flow over the period from our portfolio companies has been largely positive, with a number of companies delivering one or more earnings upgrades versus market expectations, reinforcing our confidence in the quality and growth potential of the portfolio. Despite this strong fundamental performance, UK equities, particularly in the small-cap segment, have continued to trade at discounted valuations relative to international peers and to private M&A transactions for comparable businesses. Continued net outflows from UK equities have placed relentless selling pressure on the sector, with June 2024 marking the 37th consecutive month of net outflows (source: Calastone).
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Attractive valuations of UK equities have prompted a significant acceleration in takeover activity. After a robust calendar year in 2023, which witnessed 39 bids, H1 2024 has already seen 32 bids announced, with an overwhelming bias towards smaller cap companies. Interestingly, whilst private equity bidders accounted for the majority of transactions in 2023, corporate bidders have been disproportionately active in the first six months of 2024, accounting for 72% of offers announced (source: Peel Hunt, â€œUK M&A â€“ Further accelerationâ€, 2 July 2024).
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We continue to focus on bottom-up stock selection and on opportunities where structural growth themes and/or self-help levers dilute the impact of broader economic and market fluctuations. Our consistent investment philosophy, strong relationships with company management teams, and extensive specialist network continue to underpin our confidence in the portfolio. We remain committed to high-quality businesses with clear value creation strategies, long-term demand drivers, and durable competitive advantages.
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**2) Detailed Performance Overview**
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The net asset value (â€œNAVâ€) increased 16.6%, on a total return basis, over the twelve months to the end of June, closing at 396.87p per share. This increase in NAV reflected the positive returns delivered by the majority of portfolio companies throughout the period, despite volatile equity market conditions as geopolitical and macroeconomic concerns weighed on investor sentiment.
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Despite a strong absolute performance the Company underperformed its comparator during the period, as the FTSE Smaller Companies (ex Investment Trusts) Index grew by 18.5%. The underperformance against the index was primarily due to the decision to avoid investing in cyclical sectors within the index.
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Despite the market volatility experienced over the year, we remain confident about the resilient underlying fundamentals of the portfolio companies and their ability to withstand the macroeconomic headwinds that look set to persist through the current financial year.
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**Top Five Absolute Contributors to Performance**

| Security | Valuation 30 June 2024 Â£â€™000 | Period Contribution to return (basis points) |
|---|---|---|
| XPS Pensions Group | 43,477 | 1,251 |
| Fintel | 17,373 | 541 |
| The Property Franchise Group | 12,481 | 175+ |
| Wilmington | - | 171 |
| Tribal Group | 9,026 | 158 |

+ All-share merger with Belvoir Group plc during the period; Belvoir pre-merged contributed 40bps of performance to the Company such that the aggregate contribution with The Property Franchise Group plc was 215bps
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**XPS Pensions Group**, a pensions consulting, advisory and administration services provider, which delivered results in excess of market expectations, saw successive analyst upgrades throughout the period, and which divested a non-core business at a significantly accretive valuation multiple to the wider group. XPS Pensions Group accounted for 22.9% of the Companyâ€™s Net Asset Value at the end of the year. Following the period end this was reduced by an amount equivalent to 11.1% of Net Asset Value; **Fintel**, a provider of tech-enabled regulatory services, following a number of strategic acquisitions which will significantly increase the capabilities, scale and IP of the organisation; **The Property Franchise Group**, a lettings-focused franchised estate agency business, which completed two transformational acquisitions in the period augmented by strong organic growth; **Wilmington**, a professional media provider, which demonstrated strong operating fundamentals and forecast upgrades whilst successfully refocusing the business on a digital first strategy in the governance, risk and compliance market exited in full during the year; **Tribal Group**, a provider of technology products and services to the education, learning and training markets, following strong full year results, the amicable settlement of an ongoing contractual dispute (at a significant discount to the counterpartyâ€™s claimed damages), and the announcement (albeit the transaction eventually lapsed post-shareholder vote) of a Recommended Cash Offer in early October at a 42% spot premium.
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**Bottom Five Absolute Contributors to Performance**

| Security | Valuation 30 June 2024 Â£â€™000 | Period Contribution to return (basis points) |
|---|---|---|
| R&Q Insurance Holdings | 5 | (505) |
| Iomart Group | 18,246 | (240) |
| Inspired | 7,420 | (192) |
| Ricardo | 14,584 | (111) |
| Carrâ€™s Group | - | (38) |

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The largest performance detractor in the period was **R&Q Insurance Holdings**, a global non-life specialty insurance company, following a prolonged process to separate its two businesses (â€œAccreditedâ€ and â€œLegacyâ€), a convertible equity raise (to bolster capital adequacy), and weaker than expected trading.
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Our investment thesis was predicated on the significant latent value potential in R&Q, particularly on a sum of the parts basis, as the business transformed from a capital intensive specialist insurance business to a faster growth and more cash generative services business model. This value potential was corroborated somewhat by the all-cash takeover approach received (but later withdrawn) in 2022 that valued the company at Â£482m. Whilst the company made positive steps to realise this value by separating its two businesses and announcing the sale of its Accredited division to Onex Partners, the Legacy division began to experience unforeseen balance sheet stress. Due to a prolonged transaction timetable for the Accredited sale, combined with lower than expected net cash proceeds (which were expected to alleviate the Legacy divisionâ€™s balance sheet challenges), the company unfortunately entered into a provisional liquidation process which led to no recovery for equity holders.
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Whilst the Investment Manager was able to mitigate some downside through selling shares ahead of this process, having exhausted attempts to rectify the situation in collaboration with other shareholders and the Board, the conclusion has been a loss of principal for the remaining holding following the liquidation process, and a 505bps negative performance contribution in the 12 months to 30 June 2024.
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The Investment Manager acknowledges that, notwithstanding the portfolioâ€™s strong aggregate performance over the period, this investment led to a deeply disappointing outcome for the Company. Whilst the Investment Manager follows a bottom-up investment approach that places great focus on business fundamentals and downside protection, in this instance we underestimated the extent to which balance sheet complexity in this business could have led to financial stress in a downside scenario. Going forwards, even greater scrutiny on balance sheet simplicity will be adopted by the Investment Manager.
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The next three largest detractors, by contrast, suffered from share price weakness in response to short term developments that, we believe, do not fundamentally change the long term values of the holdings.
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These detractors included **Iomart Group**, a hybrid cloud managed services provider, which despite delivering in-line full year results

experienced some small consensus downgrades reflecting organic growth expectations and the ability to pass-through cost increases from VMWare. The Investment Manager is encouraged by the orderly change of leadership that took place in the period, with the appointments of a high quality CEO and experienced plc chair with a track record of value creation in the IT services space; **Inspired**, despite positive newsflow throughout the period. Inspiredâ€™s FY23 results came in ahead of expectations, with 20% EBITDA growth at a group level, double digit revenue growth in two divisions and >100% growth in its ESG division. In addition the group disclosed a series of new KPIs evidencing the good progress made in its cross-selling strategy; and **Ricardo**, a global strategic, environmental, and engineering consultancy, which reported encouraging half-year results with particularly strong growth in its Energy & Environment and Rail divisions, mitigated by some softness in its non-core businesses as customers delayed orders.
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Finally the fifth largest detractor, **Carrâ€™s Group**, was an investment that was fully exited during the period. Carrâ€™s Group was a new investment for the Company in the latter half of the prior reporting period, which shortly following our investment experienced a significant share price rally up to 30 June 2023 (the end of the previous reporting period). Following a subsequent deterioration in performance and unexpected change of management announced in August 2023, the shares retreated from their previous gains and we took the opportunity to exit our position in full following a re-assessment of the risk/reward potential. Despite the Â Â Â Â Â Â Â Â -38bps performance contribution in the year ended 30 June 2024 the Company made a positive total return on its investment in Carrâ€™s Group, which equated to 16.8% IRR on an annualised basis.
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**3) Portfolio Overview**
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The portfolio remained highly focused with a total of 16Â holdings and the top 10 accounted for around 84% of the NAV at the end of the period, with c.5% of NAV held in cash at the period end.
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The Investment Manager made a number of new investments during the period, including into **Alpha Financial Markets Consulting**, a financial services-focused consultancy which received a Recommended Cash Offer from Bridgepoint shortly after our investment, at a 50% premium to the undisturbed share price; **Costain Group**, a leading UK infrastructure engineering and consultancy services provider which is positioned to benefit from UK infrastructure expenditure and which the Investment Manager believes trades at a significant discount to intrinsic value; **Halfords Group**, the provider of B2C automotive and cycling parts and services, and B2B fleet management services. Halfords has faced some recent headwinds in its B2C offering as bicycle sales mean-revert from an elevated COVID comparator period (exacerbated by sector-discounting as a large cycling competitor entered into Administration) and as some consumers delayed car tyre replacement. However, the Investment Manager believes that these transitory issues have weighed disproportionately on Halfordsâ€™ valuation, and Halfordsâ€™ B2B business continues to trade strongly, following good progress by the management team in repositioning the group towards B2B services; **Team 17 Group**, an independent video game developer and publisher which is well known to the Investment Manager. Following an unexpected profit warning in November 2023 and subsequent review, the Investment Manager believes that the long-term fundamentals of the business remain strong and that the reduced share price offered an attractive opportunity to establish a position in the Company; **The Property Franchise Group** and **Belvoir Group**, two leading UK residential franchised estate agencies which completed an all-share merger post-investment by the Company. The combined businesses are capital light, highly cash generative and predominantly exposed to the resilient and structurally growing UK residential lettings market, and are well known to the Investment Manager; **Trufin**, a provider of financing and payment services as well as working capital finance and technology solutions to SMEs, which the Investment Manager believes to be significantly undervalued on a sum of the parts basis; and **Pinewood Technologies**, a critical SaaS provider to the automotive dealership sector, which was formerly part of Pendragon Group. The Investment Manager was attracted to significant recurring revenue (90%) and margin profile (c.25% EBIT margin and double digit expected growth). Following a rapid value uplift the Company profitably exited its investment in Pinewood Technologies in full during the period after concluding there was insufficient value opportunity available from building a larger equity stake in order to build a proactive engagement strategy for the holding.
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In addition to new investments, the Company also made a number of follow-on investments into existing holdings where the Investment Manager sought to capitalise on attractive valuation opportunities and/or greater levels of conviction in the returns potential. These included **Brooks Macdonald**, **Fintel**, **Iomart Group**, **Netcall** and **Ricardo**.
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Over the period, positions in **Pinewood Technologies** (IRR of 98%[1]), **Belvoir Group** (IRR of 73%[1,2]), **Ten Entertainment** (IRR of 25%), **Carrâ€™s Group** (IRR of 17%[1]), **Medica Group** (IRR of 25%[3]), **Hostelworld Group** (IRR of 35%[4]), **Wilmington** (IRR of 43%[5]) and **LSL Property Services** (IRR of -13%) were exited in full.
Â
[1] *Annualised IRR based on a <12 month holding period*
[2] *â€œExitedâ€ in an all-share merger with The Property Franchise Group plc (â€œTPFGâ€), another holding of the Company, such that the Companyâ€™s shares in Belvoir Group were exchanged for additional shares in TPFG*
[3] *12% reflects the IRR from the Companyâ€™s initial investment in Medica Group in 2017. 25% reflects the IRR since Ken Wotton became Investment Manager of the Company in September 2020, and actively decided to upweight the Companyâ€™s holding in Medica Group*
[4] *9% reflects the IRR from the Companyâ€™s initial investment in Hostelworld in 2019. 35% reflects the IRR since Ken Wotton became Investment Manager of the Company in September 2020*
[5] *8% reflects the IRR from the Companyâ€™s initial investment in Hostelworld in 2019. 43% reflects the IRR since Ken Wotton became Investment Manager of the Company in September 2020*
Â
The Company currently has a number of key holdings that the Investment Manager believes trade at material valuation discounts to comparable private market transaction values, which provides a strong margin of safety underpinning the long term upside potential of the portfolio.
Â
Changes in sector weightings have seen exposure to Healthcare decrease from 21.6% to 0%, which reflects the exit of Medica Group (the Companyâ€™s sole Healthcare investment in the prior period) pursuant to its Recommended Cash Offer from IK Partners. The next largest change in sector weighting was the exposure to Business Services rising from 27.1% to 44.5%, which was driven by a combination of strong stock-specific performance (including the Companyâ€™s three strongest performers by attribution) and new investment activity. Whilst the Business Services sector is broad and diversified with a range of stock-specific qualities and nuances, the Investment Manager is attracted to the types of capital light, operationally geared and cash generative B2B services businesses that can occasionally be found in the sector. Similarly, the Companyâ€™s exposure to Technology companies has increased from 15.6% to 25.1% during the period as the Investment Manager has sought to capitalise on depressed valuations to invest in businesses with

attractive financial characteristics, through a combination of new investments (e.g. Trufin) and follow-on investments into existing holdings (e.g. Iomart Group, Netcall).
Â
**4) Where We Engaged**
Â
**Iomart Group**
Â
**Engagement case study:** Governance / Chair Recruitment
Â
**Engagement focus:** Governance / Chair Recruitment
Â
**How we engaged:** Meetings with executive management and significant shareholder, introduction to potential chair candidate
Â
**Who we collaborated with:** Significant shareholder
Â
One of our investee companies required a new chair following a change in Board roles. Based on our knowledge of the sector and our network we identified a credible chair candidate with a blend of sector, plc and value creation experience.
Â
We introduced the candidate to the board and to the companyâ€™s significant shareholder, and that candidate was put forward for consideration as part of the boardâ€™s formal search programme.
Â
**Outcome:** Following the boardâ€™s search programme our preferred candidate was selected to be appointed as chair
Â
**5) Outlook â€“ Year Ahead**
Â
We saw green shoots of economic improvement towards the end of the period and are cautiously optimistic that positive trends can continue into the next period. UK CPI is now tracking the target inflation level, the Bank of England has (post-period) delivered one interest rate cut with markets pricing in further rate cuts over the next twelve months, which should be supportive of demand for our investee companiesâ€™ services. Similarly, UK consumer confidence is at its highest level in almost three years, albeit consumption remains subdued as shown by recent household saving data. However, with real wages growing, the short-term prospect of unwinding mortgage costs, and the relatively â€˜de-leveragedâ€™ UK household compared to 2008/09, the economic environment looks more supportive of rising consumption than at any point over the last couple of years.
Â
However, the Investment Manager is mindful of the recent change in UK Government and the potential economic ramifications thereof. Whilst material further clarity is unlikely to be received until the publication of the Autumn Budget in October 2024, the Investment Manager acknowledges the possibility of more cautious fiscal policy and/or changes in public spending priorities in the short to medium term. In addition to the potential impact on the investment portfolio in aggregate, it is possible that different investee companies will face their own combinations of opportunities and challenges under the new economic regime, with portfolio construction implications thereafter.
Â
Turning to UK equity markets and interest rates, the prospect of falling bond yields and price appreciation going forwards may create a favourable â€˜denominator effectâ€™ for UK equity fund flows, whereby asset allocators re-weight portfolios towards equities to meet their target asset class exposures. The ensuing liquidity injection into UK funds, and UK smaller companies, could alleviate the downward share price pressure of the last two years caused by â€˜forced sellingâ€™. UK smaller company valuations may then bridge the wide arbitrage versus their larger UK and international peers, as well as precedent M&A transactions. We see these conditions as supportive of a re-rating of UK smaller companies.
Â
On a similarly positive note, the Investment Manager has seen a growing number of â€˜early lookâ€™ and formal pre-IPO meetings during the last calendar quarter, which marks a welcome change from the previous theme of de-equitisation and lack of investor appetite for quoted equity issuance. While equity capital market activity during 2024 has primarily focused on existing listed businesses, notable larger UK IPOs of Raspberry Pi and Aoti took place during Q2, along with a smaller IPO of AI-focused IntelliAM in early July. Together with the prospect of improving economic conditions and the possibility of rising UK stock-market valuations, investor and corporate confidence will have grown by observing strengthening post-deal share prices in each instance. We therefore expect further IPO activity to present new opportunities into H2 2024.
Â
**6) Final Thoughts**
Â
Despite positive recent macroeconomic green shoots, the Investment Managerâ€™s core planning assumption is that continued geopolitical and macroeconomic uncertainty will drive market volatility in the next year. It is likely that increasing focus on company fundamentals and valuation discipline will be required to outperform in this environment, which plays to the strengths of the Companyâ€™s investment strategy and the Investment Managerâ€™s approach.
Â
Elevated levels of takeover activity within the UK equity market are likely to continue if current trends prevail, with a number of further bids announced post-period end following an active last twelve months. The Investment Managerâ€™s investment process and private equity lens across public markets enables the identification of investment opportunities with potential strategic value that could be attractive acquisitions for both corporate and financial buyers, which is reflected in the frequency of portfolio exits as part of takeover processes (including in this period).
Â
We continue to believe that our fundamentals-focused investment style has the potential to continue outperforming over the long term. We see significant opportunities for long-term investors to back quality growth companies at attractive valuations in an environment where agile smaller businesses with strong management teams can take market share and build strong long-term franchises. We will maintain our focus on building a high-conviction portfolio of less cyclical, high-quality, strategically valuable businesses, which we believe can deliver strong returns through the market cycle regardless of the performance of the wider economy.
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**Top 10 Investee Company Review**

**(as at 30 June 2024)**

| Company | Investment Thesis | Developments |
|---|---|---|
| **XPS Pensions Group**<br>22.9% of NAV<br>Â<br>Business Services | • Highly defensive â€“ high degree of revenue visibility and largely non-discretionary, regulation driven client activity Â<br>• Significant inflation pass-through ability<br>Â<br>• Highly fragmented sector with recent M&A activity, providing opportunity to XPS as a consolidator and potential target Â | • Delivered FY24 results ahead of market expectations with >20% revenue, EBITDA and EPS growth and further forecast upgrades, in addition to gaining FTSE 250 inclusion from 24 June 2024<br>• An amount equivalent to 11.1% of SECâ€™s year-end Net Asset Value was divested post period-end generating a positive return of 268.3%, relative to cost and an IRR of 29.9% |
| **Brooks Macdonald**<br>9.9% of NAV<br>Â<br>Financial Services | • Opportunity to leverage operational investments to grow margin and continue strong cash flow generation<br>• A consolidating market; opportunity for Brooks as both consolidator and potential target with recent takeover interest for sector peers | • Reported Q4 2023 fund flows which comprised a sequential increase in gross inflows and decrease in gross outflows, such that year-end funds under management had increased 7% year-on-year despite the challenging macro environment<br>• Also announced the retirement of CEO Andrew Shepherd to be replaced by current CFO (and former CRO of Aviva) Andrea Montague, effective October 2024 following an orderly handover |
| **Iomart Group**<br>9.6% of NAV<br>Â<br>Technology | • Provides both self-managed infrastructure and cloud-managed services, with the latter being a key strategic focus area<br>• Highly cash generative with significant recurring revenue<br>• Structural growth opportunity from hybrid cloud adoption | • Delivered in-line results but experienced some small consensus downgrades reflecting organic growth expectations and the ability to pass-through cost increases from VMWare |
| **Fintel**<br>9.1% of NAV<br>Â<br>Business Services | • Strategically valuable technology platform with opportunity to drive material growth in revenues and margins through supporting customersâ€™ digitisation journeys | • Reported strong full year results which demonstrated 240bps of margin expansion, and announced two further strategic bolt-ons that broaden the capabilities that Fintel can provide to intermediaries |
| **Ricardo**<br>7.8% of NAV<br>Â<br>Industrial Goods & Services | • Ongoing strategic transformation to refocus and prioritise the business towards higher growth, higher margin and less capital intensive activities<br>• Strong market position underpinned by significant | • Announced a full year trading update which illustrated strong H2 2023 performance following some weakness earlier in the year, with particularly encouraging performance in its strategically core |

| | | |
|---|---|---|
| | sector expertise | divisions (Energy & Environment, and Rail) |
| **The Property Franchise Group**<br>6.6% of NAV<br>Â<br>Business Services | • Structurally growing UK residential lettings market<br>• Exceptional quality of earnings due to franchiseesâ€™ bias towards lettings revenues, and TPFGâ€™s franchise fee revenue model<br>• Capital light and cash generative | • Announced a strategic acquisition (The Guild of Property Professionals and Fine & Country) in addition to providing a trading update with lettings revenues up 9% YTD and sales revenues up 20% YTD |
| **Team 17 Group**<br>5.7%<br>Â<br>Technology | • Leading independent video game publisher and developer<br>• Earnings significantly underpinned by back-book franchises<br>• Significant founder ownership and experienced management team | • Announced H1â€™24 trading in line with expectations, with good progress being made on previously announced cost actions following the temporary deterioration in trading in the prior period. Positive new release performance from H1â€™24 launches, with a number of releases planned for H2 |
| **Tribal Group**<br>4.8%<br>Â<br>Technology | • Strong defensive characteristics with high visibility of earnings<br>• Transition to cloud-based platform has potential to drive growth, margins and rating<br>• Low valuation relative to software sector averages and sector transaction multiples | • Announced a Recommended Cash Offer from Ellucian (strategic bidder backed by Blackstone and Vista Equity Partners) at a 41% spot premium, which did not receive sufficient shareholder support<br>• Later announced the successful settlement of an outstanding customer dispute which had previously been provided for |
| **Alpha Financial Markets Consultancy**<br>4.1%<br>Â<br>Financial Services | • N/A â€“ exited post-period via takeover | • Announced a Recommended Cash Offer from Bridgepoint private equity at a 50% premium to the undisturbed share price |
| **Inspired**<br>3.9%<br>Â<br>Business Services | • Leading player in a fragmented industry; significant opportunity to gain market share through client wins, proposition extension and M&A<br>• Valued at a substantial discount to comparable private market transaction multiples | • Reported full year results which demonstrated 20% EBITDA growth, with revenue growth across all divisions. Subsequently announced that all deferred consideration will be cash settled in 2024 |

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**Portfolio as at 30 June 2024**

| Â | Â | Date of first | Cost | Valuation | % of invested portfolio at 30 June | % ofÂ invested portfolio at 30 June | % of net |
|---|---|---|---|---|---|---|---|
| Company | Sector Classification | Investment | Â£â€™000 | Â£â€™000 | 2024 | 2023 | assets |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| XPS Pensions Group | Business Services | Jul 2019 | 16,851 | 43,477 | 23.8% | 15.0% | 22.9% |
| Brooks Macdonald | Financial Services | Jun 2016 | 18,115 | 18,796 | 10.3% | 7.0% | 9.9% |
| Iomart Group | Technology | Mar 2022 | 21,941 | 18,246 | 10.0% | 5.4% | 9.6% |
| Fintel | Business Services | Oct 2020 | 10,400 | 17,373 | 9.5% | 6.4% | 9.1% |
| Ricardo | Industrial Goods & Services | Sep 2021 | 14,585 | 14,864 | 8.2% | 6.8% | 7.8% |
| The Property Franchise Group | Business Services | Oct 2023 | 9,125 | 12,481 | 6.8% | - | 6.6% |
| Team 17 Group | Technology | Dec 2023 | 8,648 | 10,879 | 6.0% | - | 5.7% |
| Tribal Group | Technology | Dec 2014 | 11,742 | 9,026 | 4.9% | 3.9% | 4.8% |
| Alpha FMC | Financial Services | Mar 2024 | 5,471 | 7,846 | 4.3% | - | 4.1% |
| Inspired | Business Services | Jul 2020 | 13,754 | 7,420 | 4.1% | 6.1% | 3.9% |
| Benchmark | Industrial Goods & Services | Jun 2019 | 6,734 | 6,893 | 3.8% | 3.6% | 3.6% |
| Trufin | Technology | Jul 2023 | 4,111 | 5,422 | 3.0% | - | 2.9% |
| Netcall | Technology | Mar 2023 | 4,367 | 3,979 | 2.2% | 1.8% | 2.1% |
| Costain Group | Business Services | Jun 2024 | 3,846 | 3,834 | 2.1% | - | 2.0% |
| Halfords Group | Consumer | Jun 2024 | 1,899 | 1,823 | 1.0% | - | 1.0% |
| R&Q Insurance Holdings | Financial Services | Jun 2022 | 6,817 | 5 | 0.0% | 4.3% | 0.0% |
| **Total investments** | Â | Â | Â | 182,364Â | | Â | **96.0%** |
| Cash | Â | Â | Â | 9,153Â | | Â Â | 4.8% |
| Net current liabilities | Â | Â | Â | (1,552)Â | | Â | (0.8%) |

**Total shareholdersâ€™ fundsÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂÂ Â ÂÂ ÂÂÂ ÂÂÂÂ Â189,965ÂÂ ÂÂÂ ÂÂÂÂÂÂÂÂÂÂÂ ÂÂÂÂ ÂÂÂÂÂÂ 100.0%**

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**Â**

**Ken Wotton**

Gresham House Asset Management

25 September 2024
Â
Â

**Statement of Comprehensive Income**

| Â | Year ended 30 June 2024 | | |
|---|---|---|---|
| Â | **Revenue return Â£'000** | **Capital return Â£'000** | **Â Total Â£'000** |
| **Investments** | **Â** | **Â** | **Â** |
| Gains on investments held at fair value through profit or loss | - | 24,099 | 24,099 |
| Â | - | 24,099 | 24,099 |
| Â | Â | Â | Â |
| **Income**Â Â | Â | Â | Â |
| Dividends | 3,997 | 2,111 | 6,108 |
| Interest | 55 | - | 55 |
| **Total income** | 4,052 | 2,111 | 6,163 |
| Â | Â | Â | Â |
| **Expenses** | | | |
| Investment Managerâ€™s base fee | (1,270) | - | (1,270) |
| Investment Managerâ€™s performance fee | - | (1,409) | (1,409) |
| Other expenses | (756) | - | (756) |
| **Total expenses** | (2,026) | (1,409) | (3,435) |
| Â | Â | Â | Â |

| | | | |
|---|---|---|---|
| **Net return before taxation** | 2,026 | 24,801 | 26,827 |
| **Â** | Â | Â | Â |
| **Taxation** | - | - | - |
| **Â** | | | |
| **Net return and total comprehensive income for the year** | 2,026 | 24,801 | 26,827 |
| **Â** | pence | pence | pence |
| **Return per Ordinary share** | 4.15 | 50.84 | 54.99 |

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Â
The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with IFRS. The supplementary revenue and capital return columns are both prepared under guidance published by the AIC. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

**Statement of Comprehensive Income**

| Â | Year ended 30 June 2023 | | |
|---|---|---|---|
| Â | Revenue | Capital | Â |
| Â | return | return | Total |
| Â | Â£'000 | Â£'000 | Â£'000 |
| **Investments** | **Â** | **Â** | **Â** |
| Gains on investments held at fair value through profit or loss | - | 10,602 | 10,602 |
| Â | - | 10,602 | 10,602 |
| Â | Â | Â | Â |
| **IncomeÂ** Â | Â | Â | Â |
| Dividends | 3,782 | - | 3,782 |
| Interest | 78 | - | 78 |
| **Total income** | 3,860 | - | 3,860 |
| Â | Â | Â | Â |
| **Expenses** | | | |
| Investment Managerâ€™s base fee | (1,228) | - | (1,228) |
| Other expenses | (803) | - | (803) |
| **Total expenses** | (2,031) | - | (2,031) |
| Â | Â | Â | Â |
| **Net return before taxation** | 1,829 | 10,602 | 12,431 |
| **Â** | Â | Â | Â |
| **Taxation** | - | - | - |
| **Â** | | | |
| **Net return and total comprehensive income for the year** | 1,829 | 10,602 | 12,431 |
| **Â** | Â | Â | Â |
| **Return per Ordinary share** | 3.53p | 20.44p | 23.97p |

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**Balance Sheet**

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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Â | **Â** | | **Â** | **As at 30 June 2024** | Â | **Â** | As at 30 June 2023 |
| Â | **Â** | | **Â** | **Â£'000** | Â | **Â** | Â£'000 |
| **Non-current assets** | Â | Â | | **Â** | Â | Â | Â |
| Investments held at fair value though profit or loss | Â | | Â | **182,364** | Â | Â | 169,274 |
| Â | Â | Â | | **Â** | Â | Â | Â |
| **Current assets** | Â | Â | | **Â** | Â | Â | Â |
| Trade and other receivables | Â | | Â | **166** | Â | Â | 268 |
| Cash and cash equivalents | Â | | Â | **9,153** | Â | Â | 1,242 |
| **Â** | Â | | Â | **9,319** | Â | Â | 1,510 |
| **Total assets** | Â | Â | | **191,683** | Â | Â | 170,784 |
| Â | Â | Â | | **Â** | Â | Â | Â |
| **Current liabilities** | Â | Â | | **Â** | Â | Â | Â |
| Trade and other payables | Â | | Â | **(1,718)** | Â | Â | (561) |
| | | | Â | | | | |
| **Net assets** | Â | | | **189,965** | Â | Â | 170,223 |
| **Â** | Â | Â | | **Â** | Â | Â | Â |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Capital and reserves** | Â | Â | **Â** | Â | Â | Â |
| Share capital | Â | Â | **6,353** | Â | Â | 6,353 |
| Share premium account | Â | Â | **11,300** | Â | Â | 11,300 |
| Special reserve | Â | Â | **-** | Â | Â | 3,590 |
| Capital reserve | Â | Â | **165,489** | Â | Â | 142,952 |
| Capital redemption reserve | Â | Â | **2,897** | Â | Â | 2,897 |
| Revenue reserve | Â | Â | **3,926** | Â | Â | 3,131 |
| **Total shareholdersâ€™ equity** | Â | Â | **189,965** | Â | Â | 170,223 |
| **Â** | Â | Â | **Â** | Â | Â | Â |
| **Â** | Â | Â | **pence** | Â | Â | pence |
| **Â** | | Â | | | | |
| **Net asset value per share** | Â | | **396.87** | Â | Â | 342.47 |
| Â | Â | Â | **number** | Â | Â | number |
| Â | | Â | | | | |
| **Ordinary shares in issue** | Â | | **47,865,450** | Â | Â | 49,704,711 |

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The financial statements were approved by the Board of Directors of Strategic Equity Capital on 25 September 2024.

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They were signed on its behalf by

Â

William Barlow
Chairman

Â

25 September 2024

Â

Company Number: 05448627

**Statement of Changes in Equity**

Â

| **For the year ended 30 June 2024** | **Share capital Â£â€™000** | **Share premium account Â£â€™000** | **Special reserve Â£â€™000** | **Â Capital reserve Â£â€™000** | **Capital redemption reserve Â£â€™000** | **Revenue reserve Â£â€™000** | **Total Â£â€™000** |
|---|---|---|---|---|---|---|---|
| Â | Â | Â | Â | Â | Â | Â | Â |
| 1 July 2023 | 6,353 | 11,300 | 3,590 | 142,952 | 2,897 | 3,131 | 170,223 |
| Net return and total comprehensive income for the year | - | - | - | 24,801 | - | 2,026 | 26,827 |
| Dividends paid | - | - | - | - | - | (1,231) | (1,231) |
| Share buy-backs | - | - | (3,590) | (2,264) | - | - | (5,854) |
| **30 June 2024** | **6,353** | **11,300** | **-** | **165,489** | **2,897** | **3,926** | **189,965** |
| | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* |
| | *Â* | | | | | | |

| Â | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* |
|---|---|---|---|---|---|---|---|
| For the year ended 30 June 2023 | Share capital Â£â€™000 | Share premium account Â£â€™000 | Special reserve Â£â€™000 | Â Capital reserve Â£â€™000 | Capital redemption reserve Â£â€™000 | Revenue reserve Â£â€™000 | Total Â£â€™000 |
| Â | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* | *Â* |
| 1 July 2022 | 6,353 | 11,300 | 19,767 | 132,350 | 2,897 | 2,363 | 175,030 |
| Net return and total comprehensive income for the year | - | - | - | 10,602 | - | 1,829 | 12,431 |
| Dividends paid | - | - | - | - | - | (1,061) | (1,061) |
| Share buy-backs | - | - | (16,177) | - | - | - | (16,177) |
| 30 June 2023 | 6,353 | 11,300 | 3,590 | 142,952 | 2,897 | 3,131 | 170,223 |

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All profits are attributable to the equity owners of the Company and there are no minority interests.

**Statement of Cash Flows**

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| | | |
|---|---|---|
| Â | **Year Ended 30 June** | Year Ended 30 June |

| Â | 2024 | 2023 |
|---|---|---|
| Â | **Â£â€™000** | Â£â€™000 |
| **Operating activities** | **Â** | Â |
| Net return before taxation | **26,827** | 12,431 |
| Adjustment for gains on investments | **(24,099)** | (10,602) |
| Operating cash flows before movements in working capital | **2,728** | 1,829 |
| Decrease in receivables | **102** | 374 |
| Increase in payables | **1,134** | 22 |
| Purchases of portfolio investments | **(67,433)** | (30,473) |
| Sales of portfolio investments | **78,465** | 30,463 |
| **Net cash flow from operating activities** | **14,996** | 2,215 |
| Â | **Â** | Â |
| **Financing activities** | **Â** | Â |
| Equity dividend paid | **(1,231)** | (1,061) |
| Shares bought back in the year | **(5,854)** | (16,275) |
| **Net cash outflow from financing activities** | **(7,085)** | (17,336) |
| Â | **Â** | Â |
| **Increase/(decrease) in cash and cash equivalents for year** | **7,911** | (15,121) |
| Cash and cash equivalents at the start of the year | **1,242** | 16,363 |
| **Cash and cash equivalents at 30 June** | **9,153** | 1,242 |
| Â | Â | Â |
| Â | Â | Â |

**Â**
**Â**

**Principal and Emerging Risks**

The Board believes that the overriding risks to shareholders are events and developments which can affect the general level of share prices, including, for instance, inflation or deflation, economic recessions and movements in interest rates and currencies which are outside of the control of the Board.

The Board believes that there is an emerging risk faced by the Company in relation to the conflicts in the Middle East and Ukraine which continue to bring risk to economic growth and investorsâ€™ risk appetites and consequently can impact the valuation of companies in the portfolio.

The Directors continue to work with the agents and advisers to the Company to try and manage the risks, including emerging risks. The central aims remain to preserve value in the Companyâ€™s portfolio and liquidity in the Companyâ€™s shares. The Directors aim to ensure that the Company maintains its investment strategy, has operational resilience, meets its regulatory requirements as an investment trust (and in particular in the provision of regular information to the market) and tries to navigate the financial and economic circumstances in these very uncertain times.

The principal risks and uncertainties are set out on pages 22 to 24 of the 2024 Annual Report.

**Responsibility statement of the Directors in respect of the Annual Financial Report**
Â
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that it faces.

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We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Companyâ€™s position and performance, business model and strategy.
Â
**Going Concern**
In assessing the Companyâ€™s ability to continue as a going concern the Directors have also considered the Companyâ€™s investment objective, detailed on the inside front cover of the 2024 Annual Report, risk management policies, detailed on pagesÂ 22 to 24 of the 2024 Annual Report, capital management (see note 17 of the 2024 Annual Report), the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and for at least 12 months from the date of this Report. InÂ addition, the Board has had regard to the Companyâ€™s investment performance (see pageÂ 3 of the 2024 Annual Report) and the price at which the Companyâ€™s shares trade relative to their NAV (see pageÂ 3 of the 2024 Annual Report).
Â
The Directors performed an assessment of the Companyâ€™s ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration:

- cash and cash equivalents balances and, from a liquidity perspective, the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services;
- potential downside scenarios including stress testing the Companyâ€™s portfolio for a 25% fall in the value of the investment portfolio; a 50% fall in dividend income and a buy back of 5% of the Companyâ€™s ordinary share capital, the impact of which would leave the Company with a positive cash position; and

- the 2025 100% realisation opportunity.

Â
Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.
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**Related Party Transactions and Transactions with the Investment Manager**
**Â**

Fees paid to Directors are disclosed in the Directorsâ€˜ Remuneration Report on pageÂ 45 of the 2024 Annual Report. Full details of Directorsâ€˜ interests are set out on pageÂ 45 of the 2024 Annual Report.
Â
The amounts payable to the Investment Manager, which is not considered to be a related party, are disclosed in notes 3 and 4 on pageÂ 62 of the 2024 Annual Report. The amount due to the Investment Manager for management fees at 30Â June 2024 was Â£116,000 (2023: Â£311,000). The amount due to the Investment Manager for performance fees at 30Â June 2024 was Â£1,409,000 (2023: Â£nil).
Â
The Investment Manager, directly and indirectly through its in-house funds, has continued to purchase shares in the Company.
Â

**Notes**
Â

**1.1 Corporate information**
Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 whose shares are publicly traded. The Company is an investment company as defined by Section 833 of the Companies Act 2006.
Â
The Company carries on business as an investment trust within the meaning of Sections 1158/1159 of the UK Corporation Tax Act 2010.
Â
The financial statements of Strategic Equity Capital plc for the year ended 30Â June 2024 were authorised for issue in accordance with a resolution of the Directors on 25Â September 2024.
Â

**1.2 Basis of preparation and statement of compliance**
Â
The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of UK-adopted international accounting standards and with the requirements of the Companies Act 2006, as applicable to companies reporting under those standards. Where presentational guidance set out in the Statement of Recommended Practice (â€œSORPâ€) for investment trusts issued by the AIC in July 2022 is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.
Â
The financial statements of the Company have been prepared on a going concern basis.
Â
The Directors performed an assessment of the Companyâ€™s ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration:
Â

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet shortterm funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services;
- potential downside scenarios including stress testing the Companyâ€™s portfolio for a 25% fall in the value of the investment portfolio; a 50% fall in dividend income and a buy-back of 5% of the Companyâ€™s Ordinary share capital, the impact of which would leave the Company with a positive cash position; and
- the realisation opportunity in 2025.

Â
Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.
Â

**2. Income**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue** | **Capital** | **Â** |
| Â | **return** | **return** | **Total** |
| Â | **Â£'000** | **Â£'000** | **Â£'000** |
| **Income from investments**Â Â Â | **Â** | **Â** | **Â** |
| UK dividend income | **3,997** | **2,111** | **6,108** |
| Â | **3,997** | **2,111** | **6,108** |
| **Â** | **Â** | **Â** | **Â** |
| **Other operating income** | Â | Â | Â |
| Liquidity interest | **55** | **-** | **55** |
| **Â** | **4,052** | **-** | **4,052** |

Â
Â

| Â | Year ended 30 June 2023 |
|---|---|

| Â | Revenue return Â£'000 | Capital return Â£'000 | Â Total Â£'000 |
|---|---|---|---|
| **Income from investments**Â Â Â | Â | Â | Â |
| UK dividend income | 3,782 | - | 3,782 |
| Â | 3,782 | - | 3,782 |
| Â | Â | Â | Â |
| **Other operating income** | Â | Â | Â |
| Liquidity interest | 78 | - | 78 |
| **Â** | 3,860 | - | 3,860 |
| Â | Â | Â | Â |

**Â**

**3. Investment Managerâ€™s base fee**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue return Â£'000** | **Capital return Â£'000** | **Â Total Â£'000** |
| **Â** | **Â** | **Â** | **Â** |
| Base fee | **1,270** | **-** | **1,270** |
| **Â** | **1,270** | **-** | **1,270** |
| **Â** | **Â** | **Â** | **Â** |

Â

| Â | Year ended 30 June 2023 | | |
|---|---|---|---|
| Â | Revenue return Â£'000 | Capital return Â£'000 | Â Total Â£'000 |
| Â | Â | Â | Â |
| Base fee | **1,228** | **-** | **1,228** |
| Â | **1,228** | **-** | **1,228** |

Â

A basic management fee was payable to the Investment Manager at an annual rate of 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears. The Investment Manager is also entitled to a performance fee, details of which are given in the Report of the Directors on pageÂ 33 of the 2024 Annual Report.

Â

Â

**4. Investment Managerâ€™s performance fee**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue return Â£'000** | **Capital return Â£'000** | **Â Total Â£'000** |
| **Â** | **Â** | **Â** | **Â** |
| Performance fee | **-** | **1,409** | **1,409** |
| **Â** | **-** | **1,409** | **1,409** |
| **Â** | **Â** | **Â** | **Â** |

Â

| Â | Year ended 30 June 2023 | | |
|---|---|---|---|
| Â | Revenue return Â£'000 | Capital return Â£'000 | Â Total Â£'000 |
| Â | Â | Â | Â |
| Performance fee | **-** | **-** | **-** |
| Â | **-** | **-** | **-** |

Â

Details of the Performance fee calculation are noted in the Chairmanâ€™s Statement on page 4 of the 2024Annual Report and in the Report of the Directors on page 33 of the 2024 Annual Report.

Â

Â

**5. Other expenses**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue return Â£'000** | **Capital return Â£'000** | **Â Total Â£'000** |
| **Â** | **Â** | **Â** | **Â** |
| Secretarial services | **181** | **-** | **181** |
| Auditorsâ€™ remuneration for: | **Â** | **Â** | **Â** |

| | | | |
|---|---|---|---|
| Audit services* | **39** | **-** | **39** |
| Directorsâ€™ remuneration | **175** | **-** | **175** |
| Other expenses | **361** | **-** | **361** |
| **Â** | **756** | **-** | **756** |

Â
Â

| Â | Year ended 30 June 2023 | | |
|---|---|---|---|
| Â | Revenue | Capital | Â |
| Â | return | return | Total |
| Â | Â£'000 | Â£'000 | Â£'000 |
| Â | Â | Â | Â |
| Secretarial services | 171 | - | 171 |
| Auditorsâ€™ remuneration for: | Â | Â | Â |
| Audit services* | 65 | - | 65 |
| Directorsâ€™ remuneration | 161 | - | 161 |
| Other expenses | 406 | - | 406 |
| Â | 803 | - | 803 |

Â
All expenses include VAT where applicable, apart from audit services which is shown net.
Â
*No non-audit fees were incurred during the year
Â

**6. Taxation**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue** | **Capital** | **Â** |
| Â | **return** | **return** | **Total** |
| Â | **Â£'000** | **Â£'000** | **Â£'000** |
| **Â** | **Â** | **Â** | **Â** |
| Corporation tax at 25.00% | **-** | **-** | **-** |
| **Â** | **-** | **-** | **-** |

Â
Â

| Â | Year ended 30 June 2023 | | |
|---|---|---|---|
| Â | Revenue | Capital | Â |
| Â | return | return | Total |
| Â | Â£'000 | Â£'000 | Â£'000 |
| Â | Â | Â | Â |
| Corporation tax at 20.50% | - | - | - |
| Â | - | - | - |

Â
As at 30 June 2024 the total current taxation charge in the Companyâ€™s revenue account is lower than the standard rate of corporation tax in the UK.
Â

**7. Dividends**

Under the requirements of Sections 1158/1159 of the Corporation Tax Act 2010 no more than 15% of total income may be retained by the Company. These requirements are considered on the basis of dividends declared in respect of the financial year as shown below.
Â

| Â | **30 June** | 30 June |
|---|---|---|
| Â | **2024** | 2023 |
| Â | **Â£'000** | Â£'000 |
| Final dividend proposed of 3.50p (2023: 2.50p) per share | **1,657** | 1,231 |

Â
The following dividends were declared and paid by the Company in the financial year:
Â

| Â | **30 June** | 30 June |
|---|---|---|
| Â | **2024** | 2023 |
| Â | **Â£'000** | Â£'000 |
| Final dividend: 2.50p per share (2023: 2.00p) | 1,231 | 1,061 |

Â
Dividends have been solely paid out of the Revenue reserve.
Â
Â

**8. Return per Ordinary share**

| Â | **Year ended 30 June 2024** | | |
|---|---|---|---|
| Â | **Revenue** | **Capital** | **Â** |
| Â | **return** | **return** | **Total** |
| Â | **pence** | **pence** | **pence** |

| | | | |
|---|---|---|---|
| **Â** | **Â** | **Â** | **Â** |
| Return per Ordinary share | **4.15** | **50.84** | **54.99** |
| **Â** | **4.15** | **50.84** | **54.99** |
| Â | | | |
| Â | Year ended 30 June 2023 | | |
| Â | Revenue return pence | Capital return pence | Â Total pence |
| Â | Â | Â | Â |
| Return per Ordinary share | 3.53 | 20.44 | 23.97 |
| Â | 3.53 | 20.44 | 23.97 |

Â
Â
Returns per Ordinary share are calculated based on 48,778,400 (30 June 2023: 51,853,838) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the year.
Â
Â

**9. Investments**
Â

| Â | **30 June 2024 Â£â€™000** |
|---|---|
| Investment portfolio summary | **Â** |
| Quoted investments at fair value through profit or loss | **182,364** |
| Â | **182,364** |
| Â | **Â** |

Â

| Â | 30 June 2023 Â£â€™000 |
|---|---|
| Investment portfolio summary | Â |
| Quoted investments at fair value through profit or loss | 169,274 |
| Â | 169,274 |

Â
Under IFRS 13, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in measuring the fair value of each asset. The fair value hierarchy has the following levels:
Â
Investments whose values are based on quoted market prices in active markets are classified within level 1 and include active quoted equities.
Â
The definition of level 1 inputs refers to â€˜active marketsâ€™, which is a market in which transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. Due to the liquidity levels of the markets in which the Company trades, whether transactions take place with sufficient frequency and volume is a matter of judgement, and depends on the specific facts and circumstances. The Investment Manager has analysed trading volumes and frequency of the Companyâ€™s portfolio and has determined these investments as level 1 of the hierarchy.
Â
Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.
Â
Level 3 instruments include private equity, as observable prices are not available for these securities the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines.
Â
The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value of the investment.
Â
The following table analyses within the fair value hierarchy the Companyâ€™s financial assets and liabilities (by class) measured at fair value at 30 June 2024.
Â
Â
Â
Â
Â
Â
Â
*Â*
*Financial instruments at fair value through profit or loss*
***Â***

| **30 June 2024** | **Level 1 Â£â€™000** | **Level 2 Â£â€™000** | **Level 3 Â£â€™000** | **TotalÂ Â£â€™000Â** |
|---|---|---|---|---|
| Â | | | | |
| Equity investments | **178,480** | **3,884** | **-** | **182,364** |
| Liquidity funds | **-** | **1** | **-** | **1** |

| Total | **178,480** | **3,885** | **-** | **182,365** |
|---|---|---|---|---|

Â

| 30 June 2023 | Level 1 Â£â€™000 | Level 2 Â£â€™000 | Level 3 Â£â€™000 | TotalÂ Â£â€™000Â |
|---|---|---|---|---|
| Equity investments | 169,274 | - | - | 169,274 |
| Liquidity funds | - | 1 | - | 1 |
| Total | 169,274 | 1 | - | 169,275 |

Â

There were no transfers between levels for the year ended 30Â June 2024 (2023: none).

Â

Listed investments included in Level 2 are deemed to be illiquid. An investment is categorised as illiquid when historic trading data indicates it would take more than 250 days to liquidate. The fair value of these investments has been determined by reference to their quoted prices at the reporting date.

Â

**10. Nominal Share capital**

| *Â* | **Number** | **Â£â€™000** |
|---|---|---|
| Allotted, called up and fully paid Ordinary shares of 10p each: | Â | Â |
| Ordinary shares in circulation at 30 June 2023 | 63,529,206 | 6,353 |
| Shares held in Treasury at 30 June 2023 | (13,824,495) | (1,382) |
| Ordinary shares in issue per Balance Sheet at 30 June 2023 | 49,704,711 | 4,971 |
| Shares bought back during the year to be held in Treasury | (1,839,261) | (184) |
| Ordinary shares in issue per Balance Sheet at 30 June 2024 | 47,865,450 | 4,787 |
| Shares held in Treasury at 30 June 2024 | 15,663,756 | 1,566 |
| **Ordinary shares in circulation at 30 June 2024** | **63,529,206** | **6,353** |

Â

Â

These are not statutory accounts in terms of Section 434 of the Companies Act 2006.Â  Full audited accounts for the year to 30 June 2024 will be sent to shareholders in October 2024 and will be available for inspection at 1 Finsbury Circus, London EC2M 7SH, the registered office of the Company. The full annual report and accounts will be available on the Companyâ€™s website www.strategicequitycapital.com

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The audited accounts for the year ended 30 June 2024 will be lodged with the Registrar of Companies.